

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
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FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 5650

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDEL MTN GENEVA

UNCLAS LUXEMBOURG 0200

E.O. 11652: NA

TAGS: EMIN, ECON, CERP, LU

SUBJ: STEEL INDUSTRY SITUATION WORSENS

1. SUMMARY: THE SLUMP IN THE LUXEMBOURG STEEL INDUSTRY BEGAN
IN 1975 WHEN THE DROP IN PRODUCTION 1974 VERSUS 1975 WAS
ABOUT THE SHARPEST IN THE COMMON MARKET. 1976 PRODUCTION
STAGNATED AT ABOUT THE LOW 1975 LEVEL BUT RESULTS SO FAR IN
1977 SHOWS A FURTHER DECLINE. END SUMMARY.

2. 1974 WAS A BANNER YEAR FOR LUXEMBOURG STEEL WITH PRODUC-
TION OF 6,445,351 TONS AND DELIVERIES (SALES) OF 5,373,189 T.
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THE RECESSION HIT SUDDENLY AND SEVERELY IN 1975 WITH A 28.3
PERCENT FALL IN PRODUCTION TO 4,624,430 T. (AND IN DELIVERIES
TO 3,787,655 T.) ALONG WITH THE NEIGHBORING BELGIUM, LUXEMBOURG
EXPERIENCED THE WORST PERCENTAGE FALL-OFF IN STEEL PRODUCTION
IN THE COMMON MARKET. 1976 PRODUCTION WAS 4,565,773 TONS
(DELIVERIES 3,771,982 T.) ABOUT 1/25 PERCENT OFF THE ALREADY
LOW 1975 AND 29 PERCENT OFF THE BOOM YEAR 1974

FIGURES.

3. INITIAL FIGURES FOR 1977 SHOW AN ALARMING RENEWAL OF A DOWNWARD TREND. JANUARY 1977 PRODUCTION WAS 325,902 T. VERSUS JAN. 1976 OF 383,286 T. OR -15 PERCENT (DELIVERIES WERE: JAN.'77 - 267,763 V. JAN. '76 - 304,298 OR -12 PERCENT). FEBRUARY 1977 PRODUCTION WAS 341,786 T. V FEB '76 OF 376,459 T. OR -9 PERCENT. THE CONSOLIDATED JAN/FEB. FIGURES SHOW A FALL OF 12 PERCENT 1977 V. 1976.

4. COMMENT: WERE THE 1975 AND 1976 STATISTICS NOT ALREADY SO GRAVE, THE 12 PERCENT SLUMP SO FAR IN 1977 MIGHT LOOK LESS GRIM. FURTHERMORE, THERE SEEMS TO BE NO LIGHT ON THE HORIZON FOR ORDERS OR SALES. JAPAN IS INCREASINGLY SEEN AS THE VILLAIN IN THE PIECE ESPECIALLY FOR EUROPEAN PRODUCERS TRADITIONALLY EXPORT-ORIENTED. THE SIMONET PLAN RECOGNIZES AND PERHAPS SLIGHTLY EASES THE PROBLEM BUT CERTAINLY IS NOT PROVIDING A CURE. WE UNDERSTAND THAT THE STEEL INDUSTRY SITUATION WILL BE A MAJOR AGENDA ITEM AT NEXT WEEKS'S EUROPEAN COUNCIL MEETING IN ROME. POSTIVE ACTION CANNOT COME TOO SOON, LEST THOUGHTS OF PRICE AND IMPORT CONTROLS BECOME TOO TEMPTING. GINN

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